

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman; and  
Robert G. Taub

Market Dominant Product Prices  
Inbound Market Dominant Multi-Service Agreements  
with Foreign Postal Operators 1

Docket No. R2015-1

Korea Post – United States Postal Service  
Bilateral Agreement (MC2010-35)  
Negotiated Service Agreement

NOTICE AND ORDER CONCERNING MODIFICATION  
OF BILATERAL AGREEMENT WITH KOREA POST

(Issued October 16, 2014)

I. INTRODUCTION

On October 15, 2014, the Postal Service filed notice of a Type 2 rate adjustment and notice of a modification (Modification One) of a bilateral agreement with Korea Post (Agreement).<sup>1</sup> The Postal Service seeks to have Modification One included within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 (Foreign Postal Operators 1) product on grounds of functional equivalence to the China

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<sup>1</sup> Notice of United States Postal Service of Type 2 Rate Adjustment, and Notice of Filing Functionally Equivalent Agreement, October 15, 2014 (collectively, Notice). The Notice was filed pursuant to 39 CFR 3010.40 *et seq.*

Post 2010 Agreement approved in Docket No. R2010-6 (baseline China Post Agreement). *Id.* at 8.

## II. BACKGROUND

The Agreement and Modification One concern negotiated pricing for inbound small packets with delivery scanning.<sup>2</sup> Notice at 1. The Modification amends the Agreement in two ways: it extends the term to November 30, 2015, and revises the "Financial Requirements" section of Annex 2 of the Agreement by clarifying procedures related to settlement charges. *Id.* at 1-2; 5. The Postal Service expects the rate changes to take effect December 1, 2014. *Id.* at 3. The Postal Service asserts that it is presenting only an extension and a revision of the "Financial Requirements" section of Annex 2 to the Agreement, which concerns negotiated rates for an inbound market dominant product. *Id.* at 5.

## III. CONTENTS OF FILING

The Postal Service's filing consists of the Notice (which includes three attachments) and supporting financial workpapers. Attachment 1 is the Application of the United States Postal Service for Non-Public Treatment of Materials (Application).<sup>3</sup> Attachment 2 is an unredacted copy of Modification One. Attachment 3 is a redacted copy of the Agreement (filed in Docket No. R2013-9). The Postal Service includes a redacted version of the financial workpapers with its filing as a separate public Excel file.

The Postal Service states that the intended effective date of Modification One is December 1, 2014; asserts that it is providing more than the 45 days advance notice

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<sup>2</sup> Docket No. R2013-9, Order Approving an Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Korea Post), October 30, 2013.

<sup>3</sup> The material filed under seal consists of a copy of the Korea Post Agreement filed in Docket No. R2013-9 (Notice, Attachment 3) and supporting financial workpapers. The Application seeks protection for the period allowed under Commission rules (ten years). Notice, Attachment 1 at 8.

required under 39 CFR 3010.41; and identifies the parties to Modification One as the United States Postal Service and Korea Post, the postal operator for Korea. *Id.* at 3-4.

*Reporting requirements.* In lieu of the detailed data collection plan required by rule 3010.43, the Postal Service proposes to report information on Modification One through the Annual Compliance Report. *Id.* at 6. The Postal Service also invokes, with respect to service performance measurement reporting under rule 3055.3(a)(3), the standing exception in Order No. 996 for all agreements filed in the Foreign Postal Operators 1 product grouping. *Id.*

*Consistency with applicable statutory criteria.* The Postal Service recites the three criteria for Commission review in 39 U.S.C. 3622 and asserts that it addresses the two it considers pertinent to this filing (concerning whether the modification improves the Postal Service's net financial position (or enhances the performance of operational functions) and will not cause unreasonable harm to the marketplace). The Postal Service asserts that the third criterion (available on public and reasonable terms to similarly situated mailers) is not applicable. *Id.* at 6-7.

*Functional equivalence.* The Postal Service addresses reasons why it considers the modification functionally equivalent to the baseline China Post Agreement, notwithstanding acknowledgement and identification of similarities and differences. *Id.* at 8-10. The Postal Service asserts that it does not consider that the specified differences detract from the conclusion that Modification One is functionally equivalent to the baseline China Post Agreement. *Id.* at 10.

#### IV. COMMISSION ACTION

The Commission, in conformance with rule 3010.44, establishes Docket No. R2015-1 to consider issues raised by the Notice. The Commission invites comments from interested persons on whether Modification One is consistent with 39 U.S.C. 3622 and the requirements of 39 CFR part 3040. Comments are due no later than October 24, 2014. The public portions of this filing can be accessed via the

Commission's website (<http://www.prc.gov>). Information on how to obtain access to non-public material appears in 39 CFR part 3007.

The Commission appoints John P. Klingenberg to serve as Public Representative in this docket.

## V. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. R2015-1 for consideration of matters raised by the Postal Service's Notice.
2. Pursuant to 39 U.S.C. 505, John P. Klingenberg is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Comments by interested persons in this proceeding are due no later than October 24, 2014.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary